CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHENNAI

REGIONAL BENCH – COURT No. III

Customs Appeal No. 40421 of 2024

(Arising out of Order-in-Original No. 1114/2024-AIR dated 22.02.2024 passed by Commissioner of Customs, New Custom House, Meenambakkam, Chennai – 600 016)

M/s. Redington Ltd. **...Appellant**
(Formerly M/s. Redington India Ltd.),
Block-3, Plathin, Redington Tower,
Inner Ring Road, Saraswathy Nagar West,
4th Street, Puzuthivakkam,
Chennai – 600 091.

Versus

The Principal Commissioner of Customs **...Respondent**
Chennai VII Commissionerate,
Air Cargo Complex,
Meenambakkam,
Chennai - 600 016.

APPEARANCE:

For the Appellants : Dr. C. Manickam, Advocate
For the Respondent : Mr. Anoop Singh, Authorised Representative

CORAM:
HON'BLE MR. P. DINESHA, MEMBER (JUDICIAL)
HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)

FINAL ORDER No. 40611 / 2026

DATE OF HEARING : 21.01.2026
DATE OF DECISION : 26.05.2026

Per Bench

The Appellant, M/s. Redington Limited, Chennai - 600 91, are engaged in import and sale of electronics goods including Bluetooth Wireless Headsets / Head phones / Ear phones / neck bands etc. For the period from 28.08.2021 to 30.04.2022, they had filed Bills of Entry at Air Cargo

Complex, Meenambakkam, Chennai for the import of clearance of JABRA brand Bluetooth devices and had sought classification of the goods under CTI 85176290 and in pursuance of assessment of the Bills of Entry, Appellant had paid concessional rate of BCD in terms of SI.No. 20 of Customs Notification No. 57/2017-Cus. dated 30.06.2017.

2. It appears that the Revenue had initiated investigation on the premise that the Imported items were classifiable under CTI 85183000 under the category of wireless speakers and liable for payment of BCD@15% in terms of SI.No. 18 of Notification No. 57/2017-Cus. During the course of investigation, statements of some of the staff were recorded by the Officers of Customs under Section 108 of the Customs Act, 1962, who appears to have inter-alia submitted that the Imported Bluetooth wireless headsets/ head phones/ ear phones / ear buds/ neck bands etc. are having principal function of communication in mobile telephony systems. The Appellant's representatives also appear to have submitted the website details of the supplier and also submitted the catalogues for the JABRA brand wireless Bluetooth devices.

3. Post Investigation, a SCN was issued to the importer/Appellant to show cause as to why: -

i. The CTH 85176290 claimed by the importer for Bluetooth Wireless headphones / earphones/ Ear buds/ neckbands imported vide Bills of Entry listed in the Annexure-l should not be rejected.

ii. The Bluetooth Wireless headphones/ earphones/ ear buds/ Neckbands imported vide Bills of Entry listed in the Annexure-l should not be reclassified under CTH 85183000;

iii. Customs duties of Rs.2,71,95,456/- (BCD-Rs.2,09,51,815/- +SWS Rs.20,95,181/- + IGST - Rs.41,48,459/-) on the import of Bluetooth Wireless headphones/ earphones/ear buds/neckbands through Air Cargo Complex, Chennai vide Bills of Entry listed in the Annexure-l should not be recovered from the Importer in terms of Section 28(1) of Customs Act, 1962;

iv. Interest on the amount demanded at (ii) above should not be recovered from the Importer in terms of Section 28AA of Customs Act, 1962;

v. The amount of Rs.2,00,00,000/- paid vide TR Challans No. 000904 dated 24.03.2023 and No. 001801 dated 30.03.2023 should not be appropriated against the Customs duties demanded at (ill) above;

vi. The imported goods i.e., Bluetooth Wireless headphones/Earphones/ Ear buds/Neckbands valued at

Rs.41,79,09,706/- imported vide 30 Bills of Entry listed in the Annexure-I through various ports should not be held liable for confiscation under the provisions of Section 111(m) of Customs Act, 1962;

vii. Penalty should not be imposed on the Importer under the provisions of Section 112(a) of Customs Act, 1962; and

viii. Penalty should not be imposed on Importer under the provisions of Section 117 of Customs Act, 1962.

4. It appears that the appellant filed a detailed reply to the above SCN before the Original Authority and also appeared for Personal hearing. In the said reply which is part of documents filed along with this Appeal, it was inter-alia submitted by the Appellant that the issue is covered by the Circular No. 36/2013-Cus. and the principal function of the Imported item has to be considered for the purpose of determination of classification and pleaded for dropping the proceedings initiated in the Show Cause Notice.

5. The Principal Commissioner of Customs, however, has passed the Impugned Order-in-Original No. 1114/2024-AIR dated 22.02.2024 confirming the demands and the order portion reads as under: -

i. "I reject the classification under TI 85176290 as claimed by the Importer M/s.Redington Ltd. for the Bluetooth Wireless Headphones/ Earphones / Ear buds/ Neckbands imported

vide Bills of Entry listed in the Annexure-I, and the said goods shall be reclassified under TI 85183000;

ii. *I confirm demand of Rs.2,71,95,456/- from M/s. Redington Ltd., for the import of Bluetooth Wireless Headphones / Earphones / Ear buds/ Neckbands, imported vide Bills of Entry listed in Annexure-I, under Section 28(1) of Customs Act, 1962;*

iii. *The amount of Rs.2,00,00,000/- paid by the importer vide TR Challans No. 000904 dated 24.03.2023 and No. 0010801 dated 30.03.2023 shall be appropriated against the differential duty demanded;*

iv. *I confirm interest in terms of Section 28AA of Customs Act, 1962 on the duty confirmed in this order;*

v. *I refrain from holding the imported goods viz., Bluetooth Wireless headphones/ earphones/ ear buds/ neckbands imported vide Bills of Entry list in the Annexure-1 as liable to confiscation under Section 111(m) of Customs Act, 1962;*

vi. *I drop the proposal to impose penalty on the importer M/s Redington Ltd., under Section 112(a) or Section 117 of the Customs Act, 1962."*

6. The Appellant being seriously aggrieved by the above order, has thus filed this appeal before this forum, mainly on the following grounds: -

i. The essential character and principal function of the imported goods has to be given primacy and significance to determine the classification of the goods and that the Impugned order completely neglects the essential characteristics and principal function and thus, the determination of classification under CTH 85183000 is incorrect and unsustainable in law; and

ii. The imported item is other apparatus for the transmission/reception of voice, and specifically covered under CTH 85176290 and it is not one kind of earphones or headphones covered under CTH

85183000 and this aspect has already been clarified by the Board Circular and the Impugned Order has overlooked the clarification of the Board given in Circular No. 36/2013-Cus. dated 05.09.2013 and also the fundamental scientific characteristics and technical features of the product. Thus, the Impugned Order suffers with infirmities and prayed that the same may be quashed and set aside.

7. The Ld. Advocate Dr. C. Manickam appeared for the Appellant, and his submissions are summarized as under: -

i. The essential character and principal function of the Imported goods have to be given primacy while determining the classification of composite items or machines in terms of Note 3 to Section XVI of HSN;

ii. The Imported item is one such category of other apparatus for the transmission/ reception of voice, image, or data and specifically covered under CTH 85176290;

iii. The CBIC has issued a Circular No. 36/2013 dated 05.09.2013 and specifically clarified that "Headphones combined with a microphone of heading 8518 carry only audio signals and are not an active part of a network, whereas a Bluetooth headset with mobile

telephony function is an active part of a wireless network, includes a software part for the wireless network and simultaneously receives / transmits voice and data in a wireless network. Thus, "Bluetooth Wireless headset for mobile phones / cell phones" equipped with communication device fully comply with subheading 8517.62";

iv. Basically, the Imported Bluetooth Headphones are transceivers, which enable the Headsets to perform functions that distinguish it from the headsets classifiable under CTH 8518. The Bluetooth Stereo Headsets enables the users to access Bluetooth enabled cellular telephones, for wireless two-way voice communication. As such, it is an independent device capable of transmitting and receiving sound and is covered within the specific ambit of transceiver. The protocol of Bluetooth would operate on radio frequencies. Basically, Bluetooth technology is a unifier enabling wide range of devices to work together and the Bluetooth is named in memory of Herald. I. Bluetooth, a tenth century Danish King, who unified Denmark and Norway. As such, the core technical aspect of Bluetooth is linking various devices using radio frequencies. Wireless Bluetooth devices include

cellphones, two-way radios, remote garage door openers, television remote controls and GPS receivers;

v. The presence of Bluetooth Technology is the specific distinguishing factor from wireless headphones/headsets. All wireless headphones and headsets are classifiable under CTH 8518 except the headsets containing Bluetooth. Bluetooth is a short range wireless technology that is used for exchanging data between fixed and wireless devices over short distances;

vi. The Bluetooth Technology is standardized by IEEE (Institute of Electrical and Electronics Engineering) 802.15.1. The catalogue of the Imported product has the specific particulars of Bluetooth technology which is subject to the standardization of IEEE;

vii. The basic and critical element to be taken into account is the presence of Bluetooth in a headset. In order to use Bluetooth, the device must be compatible with sub-set of Bluetooth profile necessary to use the desired services. A Bluetooth profile is a specification regarding the aspect of Bluetooth based wireless communication between devices;

viii. The essential difference between a Headset/Headphone and Bluetooth Headset/Headphone is the connectivity method. The Headset can be wired or wireless. While a

Bluetooth headset is a type of wireless headset that uses Bluetooth Technology for audio transmission. Hence, the presence of Bluetooth is the determining factor of classification of the product;

ix. In the Impugned Order, the technical aspects explained by the Appellant also are not considered. In the Impugned Order, it is held that the item is classifiable under CTH 8518 under the broad category of 'Loudspeakers' whereas the plea of the Appellant is that the Imported item has to be classified under the heading of 8517, under the category of "Other networking apparatus";

x. The primary distinguishing factor is networking aspect. Loudspeaker is a device that converts electrical signals into acoustical energy, which it radiates into a bounded space such as a room or into outer space. On the other hand, the devices which are operating Bluetooth technology receives radio frequencies, analog signals from other devices (like mobile phones, converts the radio frequencies, analog signals into digital signals and thereafter transmits signals that to Bluetooth modules or mobile phones (in radio frequency signal forms). Thus, Bluetooth module being engaged in reception, transmission and conversion of voice and other form of data, falls under the sub-heading 851762 of the

Customs Tariff Act, and this principle has been considered and elaborately discussed in the case of *M/s. Minda D-Ten Pvt. Ltd. v. Commissioner of Cus. (Import), New Delhi* reported in *2021 (378) ELT 303 (Tri.-Del.);* and (i) The Circular issued by the CBIC clearly provides clarity on the issue and the clarifications issued has been disregarded in the Impugned Order;

xi. Para 4 of the Circular clarifies that Bluetooth Headsets for mobiles/ cellphones is presented together with a charger, ear hook and user documentation and put up in as set for retail sale. The Circular further clarifies that headphones combined with a microphone of heading 8518 carries only audio signals and are not an active part of a network, whereas a Bluetooth headset with mobile telephony function is an active part of wireless network, includes a software part for the wireless network and simultaneously receives / transmits voice and data in a wireless network. Thus, "Bluetooth wireless headsets for mobile cell phones" equipped with communication device fully comply with the subheading 8517.62.

Based on the above submissions, it was prayed for allowing the Appeal and also prayed to quash and set aside the Impugned Order.

8. *Per contra*, the Ld. Authorized Representative Mr. Anoop Singh, largely reiterated the findings of the Impugned Order and submitted that main function of the impugned goods is similar to the traditional earphones/headphones which are classifiable under CTH 851830 i.e., to listen through the earphones/headphones and to speak through the microphones. While performing these central functions of an earphone fitted with a microphone, these impugned goods differ from traditional earphones mostly with their sophistication/ease of use and technological enhancements viz.,

i. Audio enhancing and quality aspects of listening;
ii. Transmission of music/voice through noise reduction while listening/speaking;
iii. Latest technology to charging the earphones;
iv. Its compatibility/pairing mechanism with multiple devices which brought the impugned goods its own identity and not specific to mobile phones/ cell phones.

9. The Ld. Authorized Representative also invited attention to the relevant portion of the HSN Explanatory notes covering sub-heading 8518, pertaining to headphones and earphones and stated that head phones and ear phones which are used in telephony or telegraphy or plugging into

the ears or television sets or automatic data processing machines are classifiable under this heading. He places reliance on: -

i. *M/s. Flextronics Technology India Pvt. Ltd. Versus Commissioner of Customs, Chennai VII Commissionerate 2025 (3) TMI 695 - CESTAT CHENNAI*.
ii. *Bengal Immunity Co. Ltd. v. State of Bihar & Ors. [1955 (9) TMI 37- SUPREME COURT],*
iii. *Union of India Vs Hansoli Devi [2002 (9) TMI 799 SUPREME COURT],*
iv. *Simplex Mills Co. Ltd. [2005 (3) TMI 117 - SUPREME COURT],*

10. In the light of the above rival contentions/submissions, two primary issues arise for our consideration and determination: -

i. Firstly, as to whether the Imported wireless Bluetooth is a device covered under the Broad category of other apparatus for the transmission or reception of voice, image or other data classifiable under CTH 851762 or under the category of Headphones and earphones, whether or not combined with a microphone and set consisting of a microphone and one or more loudspeakers classifiable under CTI 851830; and
ii. Secondly, relevance of the essential character and the principal function of the Imported item in determining classification of the goods and the applicability of

Circular No. 36/2013-Cus. dated 05.09.2013 to the impugned facts.

11. We feel that it is of utmost importance to first dwell into the relevant portion/s of HS code 8517 and 8518, which are reproduced below: -

Customs Tariff Heading 8517 reads as under:

HS Code	Item Description
8517	**Telephone Sets, Smartphones and Other Telephones For Cellular Networks Or For Other Wireless Networks;** Other Apparatus For The Transmission Or Reception Of Voice, images Or Other Data, Including Apparatus For Communication in A Wired Or Wireless Network (Such As A Local Or Wide Area Network), **Other Than Transmission Or Reception Apparatus Of Heading 8443, 8525, 8527 OR 8528**

Customs Tariff sub-Heading 8517 62 reads as under:

HS Code	Item Description
8517 62	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus
85176290	others

Customs Tariff Heading 8518 reads as under:

HS Code	Item Description
8518	Microphones And Stands There for; Loudspeakers, Whether or Not Mounted In Their Enclosures; Headphones And Earphones, Whether Or Not Combined With a Microphone, Handsets Consisting Of A Microphone And One Or More Loudspeakers: Audio Frequency Electric Amplifiers; Electric Sound Amplifier Sets.

Customs Tariff Item 8518 3000 reads as under:

HS Code	Item Description
85183000	Headphones and earphones, whether or not combined with a microphone, **and sets consisting of a microphone and one or more loudspeakers**

12. From the facts as explained and the information made available in the documents which are part of Appeal Memorandum, it is found that the Imported item Jabra Elite 25e is a Bluetooth stereo neck band with in-ear head phones compatible with any Bluetooth enabled device. It has features of Call vibration alert, magnetic in-ear headphones, voice button, answer/end call, reject call, voice dialing, last number redial, volume control, track control, play/pause music and voice guidance. Jabra GN is another Bluetooth device and as per the technical catalogues produced by the Importer, it has features of Answer/end/reject call, Battery/LED indicator, Redial last number, Advanced Audio, Distribution (ADP) for music, podcast and GPS streaming, Voice dialing (activate Siri/ Google Assistant), Voice Control (Activate Siri/Google Assistant), Voice guidance, Multiuse, Automatic Volume Control, NFC. Digital signal processing (DSP), HD voice. Bluetooth wireless technology is a radio technology developed to deliver short-range wireless mobility. Bluetooth technology eliminates wires between devices that are in close proximity to one another.

13. There is no doubt that Bluetooth facilitates fast, secure transmissions of both voice and data. Jabra Elite 2 earbuds has blue tooth connectivity with Bluetooth version 5.2. The catalogue enclosed and submitted along with the

Appeal Memorandum, clearly indicates that the Appellant had imported JABRA brand Bluetooth devices of various models *viz*., earbuds Elite 2, Elite 3, Elite 4 Active, Elite Active 7, Elite 75T, Elite 85T, Elite Active 65T, neckbands Elite 25E, Elite 45E, Elite Active 45E, headphones Elite 45H and Elite 85H. As such, the Imported items are Bluetooth devices and in the case of **M/s. Minda D-Ten (P) Ltd. Vs. CC (Import), New Delhi -** *Supra*, the Principal Bench of CESTAT had decided the classification of Bluetooth modules and the prominent observations of the Bench are as under: -

> *"16. The Bluetooth module receives radio frequency analog signals from other devices (like mobile phone), converts the radio frequency analog signals into digital signals and thereafter transmits the signals back to the Bluetooth module of mobile phone (in radio frequency signal form) or to the micro controller (brain) of the car infotainment system (in electric signal form). For any product to be classifiable under the sub-heading 851762, it should receive, convert, and transmit voice, images and other data. The Bluetooth module receives, transmits and converts data, voice, etc. through radio frequency signals to enable connectivity between the user's mobile phone and car infotainment system. The Bluetooth module, therefore, receives data like contact names and numbers saved in the user's phone, voice data in the form of radio frequency signals during an active call (i.e. the signals first received by phone and then from phone to the car infotainment system through the Bluetooth module). The Bluetooth module also transmits voice data in the form of radio frequency signals during an active call (i.e. the user's voice is first received by the microphones installed in the car, converted into electric signals and sent to the Bluetooth module to be further transmitted to phone for regular telecommunication transmission thereafter). Thus, the Bluetooth module is engaged in reception, transmission and conversion of voice and other form of data. Accordingly, it would fall under sub-heading 851762 and consequently deserves to be classified it under CTH 8517 62 90."(at Pg.No. 306).*

14. The significant aspect that we notice from the above judgment is that a Bluetooth device receives radio frequency analog signal from other devices and converts the radio frequency analog signals into digital signals and thereafter transmits the signals back to the Bluetooth module of mobile phone and as such, it performs the function of a transceiver which essentially means that it transmits data and receives data in a network environment. In the absence of any network facility, the Imported item cannot transmit or receive data. The technical features submitted in the form of catalogues [part of reply to SCN] unambiguously state that the Imported item transmits and receive data and it enables communication between devices that are in close proximity to one another. Moreover, Bluetooth facilitates fast secure transmission of both voice and data. Data includes both oral as well as video. In the above referred case, it was held that the Bluetooth module device is classifiable under CTH 85176290 and the material facts and the technical features of the Impugned Appeal are identical to the above referred case, hence, it is concluded that the imported Blue tooth wireless head sets are to be classified under CTI 85176290.

15. We will now consider the relevance of the essential character, the principal function of the Imported

item and the applicability of Circular No. 36/2013-Cus. dated 05.09.2013. The classification of the product has to be determined in accordance with the General Rules of Interpretation (GRI) and it is a settled position of law that the essential character and principal function of the product are the guiding factors in determination of classification. Moreover, Rule 2(b) of GRI states that the essential character of the item of import should be the relevant factor for determination of the classification.

16. It is apparent from the preceding paragraph that the Imported items are having essential characteristics of Bluetooth technology and the presence of Bluetooth technology is the specific distinguishing factor from wireless headphones and headsets. In case, any headset or headphone is presented without Bluetooth technology, the said product is to be classified under CTH 851830. Therefore, the critical aspect to be found in the process of determination of classification is as to whether the Imported item has Bluetooth technology or not. In this regard, the Circular No. 36/2013-Cus. is appropriate to be referred and the same is reproduced below: -

> "***Circular No.36 / 2013 - Customs***
> *229-A, North Block, New Delhi, 5th September, 2013*
>
> ***Subject: Classification of "Bluetooth Wireless Headset for mobile phone / cell phone" under Harmonised Customs Tariff - reg.***

Doubts have been raised on whether "Bluetooth Wireless Headset for mobile phone/cell phones" is classifiable in heading 8517 or 8518 of the Customs Tariff. The relevant text of these heading is as under:

> *85:17"...; other apparatus for the transmission or reception of voice, image or other data, including apparatus for communication in a wireless network (Such as a local or wide area network) ...."*
> *85:18 "..; Headphones and earphone, whether or not combined with a microphone,..."*

2. The illustrative product description for the purpose of classification of similar or identical headsets for "mobile phones cell phone" is as follows:
Wireless headsets consisting of a single (monaural) over - the ear earphone combined in the same hosing with a microphone, a radio transceiver, a rechargeable battery, a poser input, a LED indicator light and controls standard (Wireless protocol for exchanging data within a personal Area Network (PAN) using short length radio waves over short distances (up to 10 meters)) with Enhanced Data Rate (EDR) technology, which enables the headset to communicate wirelessly with fixed and mobile devices, such as a mobile telephone for cellular networks. The Controls are used function like on and off, voice dialling, Call waiting redial of the last number, etc., if supported by the apparatus with which it is "paired" (transmitting to and receiving form) The product is put up in a set for retail sales in a box with an AC charger and two ear-hooks of different size and a quick starts manual."

3. This issue has been examined by the Board in consultation with the Department of Electronic and Information Technology Ministry of communication and information Technology, The compendium of classification opinions Reflecting the decision taken by the referred, As seen the classification of goods in the First Schedule of the Customs Tariff Act, 1975 is governed by the General Rules and the interpretation (GRI) of import Tariff

4. In the instant case, as "Bluetooth Wireless headset for mobile / cell phone", is presented together with a charger, ear hooks and user documentation and put up in as set for retail sale, therefore besides GRI 1, the legal basis of classification would be the sequential application of Rules 2(a), 2 (b). It is the headset that confers it the essential character to this set. As seen, the microphone/Transmitter, headphone / receiver, wireless communication system. The communication function for mobile telephony characterizes its principal function for the purpose of Note 3 to Section XVI. *This function is included in heading 85.17:*

> *"Other apparatus for the transmission or reception of voice, image or other data, including apparatus" used for*

communication in wireless networks, which is a simultaneously two-way audio and data streaming in the radio frequency band. Also, the HS explanatory Note to subheading 8517.62 (Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus) provides that, "this subheading includes cordless handsets or base units, when presented separately."
Headphones combined with a microphone of heading 8518 carries only audio signals and are not an active part of a network, whereas a Bluetooth headset with mobile telephony function is an active part of wireless network, includes a software part for the wireless network and simultaneously receives/transmits voice and data in a wireless network. Thus, "Bluetooth wireless headsets for mobile phone / Cell phones" equipped with communication device fully comply with the subheading 8517.62.

5. In view of the above, the Board is of the view that "Bluetooth wireless headsets for mobile phones / cell phones" is correctly classified in heading 85.17, subheading 8517.62, by application of GRI 1 (Note 3 to Section XVI), 3 (b) and 6.

6. Accordingly, Suitable instructions may be given to the field formation. Difficulty face, if any, may be brought to notice of the Board. "(emphasis added wherever necessary).

[Emphasis added by us for clarity]

17. The above Circular at Para 4 very categorically explains the products which are covered under CTH 8518 and CTH 8517. It emphatically clarifies in no uncertain terms that headphones combined with a microphone of heading 8518 carries only audio signals and are not an active part of a network. The General Rules for Interpretation (GIR) of the First Schedule is referred in the above Circular. For the purpose of clarity, the necessary provisions of GIR are reproduced hereunder below: -

"2. (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or

unfinished, provided that, as presented, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished for falling to be classified as complete or finished by virtue of this rule), presented unassembled or disassembled.
(b) Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principles of rule 3.

3. When by application of rule 2(b) or for any other reason, goods are, prima facie, classifiable under two or more headings, classification shall be effected as follows:

(a) the heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.
(b) mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to (a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.
(c) when goods cannot be classified by reference to (a) or (b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration."

18. Rules 2(a) & 3(b) of the above GIR specifically refer to the significance of essential character of the goods in determining the classification. The importance of GIR and Section Note of HSN are appropriately referred and applied in the above referred Circular. For example, Note 3 of Section XVI of HSN states that : *'unless the context otherwise*

requires, composite machines consisting of two or more machines fitted together to form a whole and other machines designed for the purpose of performing two or more complementary or alternative functions are to be classified as if consisting only of that component or as being that machine which performs the principal function.' A constructive reading of the GIR and Note 3 of Section XVI states that the essential character and principal function of the Imported goods are the definite determinative factor in determining the classification of the imported goods. From a cumulative reading of the above in the context of the clarificatory Circular and the technical features as found in the Catalogue enclosed in the Appeal Memorandum we have no doubts in our minds to conclude that the Imported goods have to be classified under CTI 85176290.

19. Further, it is also seen that a Bluetooth headset with mobile telephony is an active part of wireless network which includes a software part for the wireless network; it simultaneously receives/transmits voice and data in a wireless network. This clarification is therefore a potential aspect in determining the classification of the imported item covered in the Impugned issue and the technical features as available in the catalogues submitted along with the Appeal Memorandum clearly envisages the factual position that the

Imported items can work in a wireless network capable of receiving and transmitting voice and data in a wireless network.

20. Hence, based on the above referred Circular, we have to hold and conclude that the Imported items are to be classified only under CTH 85176290 under the category of 'other apparatus for the transmission or reception of voice, image or other data, including apparatus used for communication in wireless networks.' Despite the fact that the technical features of the Imported product were elaborately explained to the Original Authority along with the above referred Circular, however in the Impugned Order, these vital aspects have been completely overlooked by the Commissioner for the reasons best known to him and as such, the findings and conclusions drawn in the Impugned Order are clearly bereft of supporting evidence and hence lacks credence.

21. We find that the clinching fact is the Board Circular – supra which is a clarification issued by the very Board itself, perhaps apprehending the possible dispute. Hence, a Bluetooth that enables personal use in respect of a phone/mobile, cannot fall in the category of loudspeaker or similar devices which are mounted or mere headphones or

earphones as the case may be. Aids of interpretation of law are the tools, principles etc. to determine the true purport of a statute, which could be internal aids or external aids. In the case on hand, the Clarification issued by the board which is the administrative authority, is hence an explanation, which is an internal aid, clarifies the classification by also explaining the same with reasons. Further, the above clarification has been issued by the Board after consulting the Ministry of Telecommunication and Information Technology which is binding on the field formation.

22. We will now consider the 'Description of goods'; the classification under CTI 8517 is for items of the nature of telephone/telephone sets/smart phones, etc. whereas description of CTI 8518 revolves around microphones and stands/loudspeakers mounted or not in their enclosure, which *inter alia* includes headphones and earphones, whether combined with a microphone or not. A first blush at the description itself gives an impression that while 8517 is for the items like telephone/smart phone, **other apparatus** for transmission or reception of voice/images, etc., but TI 8518 has a narrow application, basically something to do with microphone/loudspeakers with microphone connected or not with headphones or earphones. There is nothing specific under 8518 as to the usability of these items with

Telephones/mobiles/smartphones. This is where the clarification issued by Board circular - supra plays a crucial role; taking note of the advances in the technological field, the board has clearly clarified that classification of such devices/Apparatus that could be used as Apparatus for transmission or reception of voice, images, wired or wireless should be under 8517.

23. The other aspect which is required to be considered is the usage/end-use of the goods in question as considered in the larger perspective, i.e., how the same has been interpreted globally. For this, the US Rulings in the cases of (i) Classification Ruling Bearing No. NY N 022195 dated 20.02.2008 (ii) Classification Ruling Bearing No. NY N 233055 dated 24.09.2012 & (iii) Classification Ruling Bearing No. N308655 dated 16.01.2020 have been relied upon in the very reply to SCN; though the said rulings are not binding, but the same gives the glimpse of how the goods in question are treated globally.

24. The Commissioner appears to have proceeded right from the beginning on a wrong assumption that all headphones/earphones, *etc*. are same and have only one application. If that were to be so, then there was absolutely no necessity for the very CBEC to issue clarification,

specifically for headphones/earphones/neck bands, etc. with regard to their classification. This has been ignored of by the commissioner in the impugned order. It is a different matter altogether if he disagrees with the contentions of the importer based on valid and supporting evidence, but nevertheless when there is a clarification issued specifically in this regard, the same is required to be applied. After all, it is the Customs board which clarifies wherever there is a doubt entertained by its field formations as to the correct classification.

25. In view of the above discussion, the impugned Order-in-Original No. 1114/2024-AIR dated 22.02.2024 is not tenable and so, ordered to be set aside. As such, there is no need to discuss about penalty or confiscability as the issue of classification is decided in favor of the appellant on merits.

26. Thus, the appeal filed succeeds and is allowed with consequential relief if any, as per the law.

(Order pronounced in open court on 26.05.2026)

Sd/-
(VASA SESHAGIRI RAO)
MEMBER (TECHNICAL)

Sd/-
(P. DINESHA)
MEMBER (JUDICIAL)

MK